

KARO PHARMA

INTERIM REPORT JANUARY – MARCH 2016

FIRST QUARTER

- o Net sales amounted to MSEK 82.3 (0.4)
- o Earnings before depreciation were MSEK 9.3 (-14.9)
- o Earnings per share amounted to SEK 0.06 (-0.42)
- o Cash and cash equivalents at period end amounted to MSEK 11.2 (32.2)
- o The name of the Group was changed to Karo Pharma to better reflect current operations

SIGNIFICANT EVENTS AFTER PERIOD END

- o Two share issues totaling MSEK 280 were carried out. The issues, which were oversubscribed by 210 per cent, were completed after period end, hence not being reflected in the cash position. Executive Chairman Anders Lönner underwrote over 97 percent of the rights issue of MSEK 250.

CONFERENCE CALL / AUDIOCAST TODAY AT 10.00 A.M. CET

A presentation of the report (in Swedish) will take place today at 10 a.m. The presentation and slides are available through the corporate website www.karopharma.se or by telephone 08-505 564 74. Questions may be submitted over the internet or by the telephone.

COMMENT ON OPERATIONS

GEARED FOR GROWTH

Karo Pharma's transformation into a company with product development and marketing of products has continued, as evidenced by rising sales and a positive earnings. Implemented cost adjustments and the achievement of synergies have created an organization that is well equipped to manage further products

To better reflect today's and tomorrow-to-day activities of the Group changed its name to Karo Pharma AB. All operations are being conducted under this name, and all employees now work in the same premises in central Stockholm.

For the projects Cancer and Multiple Sclerosis, the focus is on advancing ongoing commercial discussions.

Pfizer develops the RORgamma project in-house. Karo Pharma is entitled to compensation of up to more than MUSD 200 when

the project reaches certain development and sales milestones, as well as royalties on future drug sales.

The intention is to create a balance between pre-clinical projects, innovative market-oriented business projects and established businesses with stable earnings potential.

New products are expected to be added primarily through the acquisition of companies and product rights as well as collaborations with other pharmaceutical and drug development companies. In the healthcare field, both in Sweden and abroad, there are a large number of interesting acquisition opportunities that may fit into Karo Pharma's new direction.

Anders Lönner
Executive Chairman of the Board

KEY FINANCIAL DATA

(MSEK)	January - March		Full year 2015
	2016	2015	
Net sales	82.3	0.4	69.1
Gross earnings	37.3	0.4	28.6
Operating expenses	-28.0	-15.3	-100.3
Earnings before depreciation	9.3	-14.9	-71.7
Earnings before depreciation %	11.3	N.A.	N.A.
Earnings before tax	2.8	-15.3	-75.3
Earnings per share (SEK)	0.06	-0.42	-1.57
Cash flow from operating activities 1)	-61.0	-19.4	-52.2
Cash and cash equivalents at the period end	11.2	32.2	76.5

- 1) Excluding payment for the product rights to Allevo, cash flow from operating activities from January to March amounted to MSEK 6

SALES AND EARNINGS

Net sales for the quarter was MSEK 82.3 (0.4). Since September 2015, net sales comprise mainly of product sales in acquired companies.

Cost of goods sold during the quarter was MSEK 45.0 (-), resulting in gross earnings of MSEK 37.3 (0.4) and a gross margin of 45.3 per cent.

Operating costs amounted to MSEK 32.8 (15.8). Selling expenses was MSEK 24.9 (-). Research and development, which previously represented the majority of costs, decreased to MSEK 1.7 (8.2).

Earnings before depreciations and net earnings were MSEK 9.3 (-14.9) and MSEK 2.8 (-15.3) respectively. Earnings per share was SEK 0.06 (-0.42).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities, including payment of MSEK 67 for Allevo, was MSEK -61.0 (-19.4). Cash and cash equivalents amounted to MSEK 11.2 (32.2).

Total shareholders' equity amounted to MSEK 367.6 (25.6) taking into account the period's loss, translating into equity per share of SEK 7.36 (0.69). The equity ratio was 61.0 (62.4) percent.

THE PARENT COMPANY

Net sales for the Parent Company was MSEK 9.1 (0.4). Loss after financial items was MSEK -4.1 (-15.3). Cash and cash equivalents at period end amounted to MSEK 9.1 (32.1).

SIGNIFICANT EVENTS AFTER PERIOD END

Two share issues totaling MSEK 280 were carried out. The issues, which were over-subscribed by 210 percent, were completed after period end and are hence not reflected in the cash position.

GOING CONCERN

Implemented share issues and acquisitions is estimated to be sufficient to finance the current scope of operations for considerable time.

RISKS

The Group is exposed to a number of risks and insecurities. Wrongful, delayed or missing deliveries from the Group's suppliers mean that the Group's deliveries also may be delayed, inadequate or wrong. The Group is also exposed to exchange rate fluctuations. It is not guaranteed that Group operations will not be subject to restrictions from governmental agencies or that the Group will receive necessary future authority approvals. There is a risk that the Group's ability to develop products decreases or that the products will not be launched according to set schedules. These risks may involve decreased sales and a negative effect on Group earnings.

ACCOUNTING AND VALUATION PRINCIPLES

This interim report has been prepared in accordance with International Accounting Standards (IAS) 34 for interim reports and International Financial Reporting Standards IFRS as adopted by the EU. The accounting and valuation principles applied are unchanged compared to those applied in 2014.

For the parent company, this interim report has been prepared in accordance with the

Swedish Annual Accounts Act and compliance with RFR 2 *Accounting for legal entities*. The accounting principles applied for the parent company differ from those applied for the Group only regarding accounting of leasing agreements.

REPORT PRESENTATION

A presentation of the report (in Swedish) will take place today 10.00 a.m. The presentation and slides are available through the corporate website www.karopharma.se or by telephone +46 8 505 564 74. Questions may be submitted over the internet or by telephone.

AUDITOR'S REVIEW

This interim report has not been subject to review by Karo Pharma's auditors .

FINANCIAL REPORTS

Annual General Meeting	May 12, 2016
Interim Report Jan-June	July 15, 2016
Interim Report Jan-Sept	October 27, 2016
Year-End Report 2016	February 16, 2017

Stockholm on May 12, 2016

Executive Chairman Anders Lönner CEO Maria Sjöberg

FOR FURTHER INFORMATION, PLEASE CONTACT:

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ABOUT KARO PHARMA

Karo Pharma is a healthcare company that develops and markets products to pharmacies and directly to healthcare providers. The share is listed on Nasdaq Stockholm.

The information in this report is such that Karo Pharma is required to disclose under the Swedish Securities Market Act. The information was disclosed on May 12, 2016 at 8.30 a.m. CET.

CONSOLIDATED INCOME STATEMENT SUMMARY (KSEK)

	January - March		Full year
	2016	2015	2015
Net sales	82 333	425	69 095
Cost of sales	-45 007	-	-40 494
Gross earnings	37 326	425	28 601
Operating expenses			
Distribution costs	-20 317	-	-25 414
Administration	-6 184	-7 517	-27 060
Research and development	-1 549	-7 767	-33 198
Other operating income/expenses	6	-48	-14 639
	-28 044	-15 332	-100 311
Earnings before depreciation	9 282	-14 907	-71 710
Depreciation	-4 719	-446	-3 153
Earnings after depreciation	4 563	-15 353	-74 863
Financial net	-1 807	8	-434
Earnings before Tax	2 756	-15 345	-75 297
Tax	-	-	-2 894
NET EARNINGS	2 756	-15 345	-78 191
Net earnings attributable to:			
Shareholders in the parent company	2 765	-15 345	-77 632
Non-controlling interests	-9	-	-559
Earnings / loss per share (SEK)	0.06	-0.42	-1.57
Number of shares issued (000)	49 926	36 975	49 926

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (KSEK)

	January - March		Full year
	2016	2015	2015
NET EARNINGS FOR THE YEAR	2 756	-15 345	-78 191
Other comprehensive income for the year, net of tax			
Exchange rate differences	220	-	-315
TOTAL COMPREHENSIVE INCOME	2 976	-15 345	-78 506
Total comprehensive income attributable to:			
Shareholders of the parent company	2 985	-15 345	-77 947
Non-controlling interests	-9	-	-556

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (KSEK)

	31 mars		31 dec
	2016	2015	2015
Intangible assets	480 471	-	475 655
Equipment	5 504	3 611	5 701
Other financial assets	21	17	21
Other current assets	104 952	5 131	84 670
Cash and cash equivalents	11 219	32 198	76 490
TOTAL ASSETS	602 167	40 957	642 537
Shareholders' equity	367 559	25 562	364 581
Deferred tax 1)	37 447	-	31 740
Non-current liabilities	21 026	-	21 026
Current liabilities	176 135	15 395	225 190
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	602 167	40 957	642 537

1) Attributable to depreciable product rights in connection with business acquisitions

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (KSEK)

Attributable to shareholders of the parent company	Share capital	Other contributed capital	Accumulated losses	Non-controlling interest	Total
Amount at January 1, 2015	13 525	1 079 562	-1 052 180	-	40 907
Total comprehensive income for the period	-	-	-15 345	-	-15 345
Amount at March 31, 2015	13 525	1 079 562	-1 067 525	-	25 562
Amount at January 1, 2016	19 970	1 473 614	-1 130 127	1 124	364 581
Total comprehensive income for the period	-	-	2 985	-7	2 978
Amount at March 31, 2016	19 970	1 473 614	-1 127 142	1 117	367 559

CONSOLIDATED STATEMENT OF CASH FLOWS (KSEK)

	January - March		Full year
	2016	2015	2015
Operating activities			
Operating income/loss before financial items	4 563	-15 353	-74 863
Depreciation	4 719	446	3 153
Other items not affecting liquid assets	118	5	4 996
	9 400	-14 902	-66 714
Financial items received and paid			
Cash flow from operating activities before changes in working capital	9 245	-14 898	-67 036
Changes in working capital	-70 274	-4 490	14 825
Cash flow from operating activities ¹⁾	-61 029	-19 388	-52 211
Investing activities			
Net investment in company acquisitions	-1 557	-	-220 570
Net investment in intangible assets	-759	-	-
Net investment in other financial instruments	-	-3	-6
Net investment in equipment	-426	-20	-261
Cash flow from investing activities	-2 742	-23	-220 837
Financing activities			
Net proceeds from share issues	-	-	249 919
Transaction costs share issue ²⁾	-	-	-17 545
Borrowings	-	-	67 055
Repayment of borrowings	-1 500	-	-1 500
Cash flow from financing activities	-1 500	-	297 929
Cash flow for the period	-65 271	-19 411	24 881
Cash at the beginning of the period	76 490	51 609	51 609
Cash at the end of the period	11 219	32 198	76 90

1) Excluding payment for the product rights to Allevo, cash flow from operating activities from January to March amounted to MSEK 6.

2) Comprises the portion of transaction related costs that has been paid in the period.

PARENT COMPANY INCOME STATEMENT SUMMARY (KSEK)

	January - March		Full year
	2016	2015	2015
Net sales	9 082	425	3 923
Cost of sales	-4 133	-	-
Gross earnings	4 949	425	3 923
Operating expenses			
Distribution costs	-56	-	-
Administration	-4 521	-7 517	-25 264
Research and development	-1 549	-7 781	-33 112
Other operating income/expenses	-4	-48	-141
	-6 130	-15 346	-58 517
Earnings before depreciation	-1 181	-14 921	-54 594
Depreciation	-1 159	-432	-1 829
Earnings after depreciation	-2 340	-15 353	-56 423
Financial net	-1 763	9	-5 263
Earnings before Tax	-4 103	-15 344	-61 686
Tax	-	-	-
NET EARNINGS	-4 103	-15 344	-61 686

PARENT COMPANY BALANCE SHEET SUMMARY (KSEK)

	31 mars		31 dec
	2016	2015	2015
Intangible assets	73 706	-	73 965
Equipment	1 195	3 496	1 372
Other financial assets	21	17	21
Shares in group companies	399 345	150	397 788
Other current assets	17 718	5 131	9 301
Cash and cash equivalents	9 091	32 138	68 732
TOTAL ASSETS	501 076	40 932	551 179
Total restricted equity	19 970	13 525	19 970
Total non-restricted equity	355 655	12 048	359 758
Non-current liabilities	15 537	-	15 341
Current liabilities	109 914	15 359	156 110
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	501 076	40 932	551 179